

EXHIBIT W

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

U.S. BANK, National Association,)	
)	
Counterclaim Defendants,)	
)	
v.)	Case No. 4:21-cv-00120
)	
MICHAEL QUALIZZA, NEIL D. FREEMAN,)	
TIMOTHY DIXON,)	
)	
Defendants and Counterclaimants,)	
)	
and)	
)	
DFQ MANAGEMENT LLC, and)	
1501 WASHINGTON ST. LOUIS, LLC,)	
)	
Counterclaimants,)	
)	
v.)	
)	
U.S. BANCORP COMMUNITY)	
DEVELOPMENT CORPORATION, and)	
U.S. BANK, NATIONAL ASSOCIATION,)	
)	
Counterclaim Defendants.)	
)	

EXPERT REPORT OF
DANIEL H. LESSER, MAI, FRICS, CRE, CHA OF LW HOSPITALITY ADVISORS (LWHA®)

July 22, 2022



Introduction/Background

LW Hospitality Advisors (“LWHA”) has been retained by Dowd Bennett LLP (“Dowd Bennett”) on behalf of the following entities: Michael S. Qualizza, individually; Neil D. Freeman, individually; and Timothy J. Dixon, individually (collectively the “Defendants”). Dowd Bennett represents the Defendants in connection with a lawsuit filed by U.S. Bank, National Association (“Plaintiff”). The claim was filed on January 29, 2021. Pursuant to Fed. R. Civ. P. 8, 12, and 13, the Defendants filed their answer and a counterclaim on May 11, 2021, with DFQ Management LLC, and 1501 Washington St. Louis, LLC (collectively “Counterclaimants”). U.S. Bancorp Community Development Corporation, and U.S. Bank, National Association are identified as the “Counterclaim Defendants.” The litigation is currently pending in the United States District Court for the Eastern District of Missouri Eastern Division, No. 4:21-cv-00120.

The case concerns a single, coordinated development project (“Transaction”) where more than 17 agreements were signed on the same closing day, December 29, 2017 (“Transaction Agreements”). In that Transaction, U.S. Bancorp Community Development Corporation (“CDC”), U.S. Bank National Association (“Bank”), Guarantors (Michael Qualizza, Neil D. Freeman, and Timothy Dixon), and Developers (DFQ Management LLC, and 1501 Washington St. Louis, LLC) redeveloped the International Shoe Company Building into a luxury hotel (known as The Last Hotel STL). Under the terms of the Transaction, the CDC enterprise primarily served as a tax credit equity partner.

My scope of work for this assignment included review and analysis of several documents. I reviewed the Complaint, as well as the Answer and Counterclaim. I reviewed and analyzed various documents and data related to the action including, but not limited to, construction loan documents, property STR reports, historical property P&L statements, an appraisal completed by National Valuation Consultants, Inc., timeline of important events and documents, documents and correspondence pertaining to the calculation of debt service coverage ratio. I have also compiled and reviewed data from CoStar and STR, Inc. (“STR”), which will be presented within this expert report. CoStar is a reliable source that delivers a comprehensive platform of commercial real estate information, including analytics for the hotel industry and, as it pertains to this report, specific hotels. STR, Inc. is a division of CoStar Group that provides market data on the hotel industry worldwide, including supply and demand and market share data. I have prepared all opinions herein to a reasonable degree of professional certainty.

This report presents the following information:

- a timeline of events that occurred in 2020 and 2021 as it relates to the Covid-19 pandemic (the “Pandemic”),
- an overview of the Pandemic and its impact on the national lodging market,
- an overview of the Pandemic and its impact on the St. Louis hotel market,
- historical hotel operating metrics and demand statistics for the St. Louis hotel market and other comparable U.S. cities,
- custom HOST historical profit and loss data for thirteen comparable hotels via STR, and
- a review of historical net operating income and debt service coverage ratios (“DSCR”) for comparable hotels via CoStar.

LWHA understands there are two points in time when the construction loan in this matter (the “Construction Loan”) would have been eligible for extension, namely December 29, 2020, and December 29, 2021. As such, this report has compiled data from year-end 2019, year-end 2020 and year-end 2021, as applicable. I have also addressed typical lender forbearance procedures that occurred nationwide during the Pandemic.

Summary of Findings

Data in this report illustrates that hotels, particularly properties located in top-twenty-five cities, were severely impacted by the Pandemic. Nationally, regionally, and locally, the hotel industry experienced a precipitous decline in 2020, as measured by all reliable indicators of financial performance, including Occupancy, Average Daily Rate (ADR), Revenue per Available Room (RevPAR), Gross Operating Profit (GOP), and Net Operating Income (NOI). These declines were caused by unforeseen events, were unprecedented, and far exceeded prior downturns. The hotel industry made a partial recovery in 2021. However, reliable indicators of financial performance still showed substantial percentage decreases compared to 2019, on aggregate. Based on my review and experience, I did not find evidence that any comparable hotels in St. Louis's Central Business District (“CBD”) were profitable in 2020. Additionally, I did not find any comparable hotels in comparable markets that were able to meet the Last Hotel’s debt service coverage ratio (DSCR) during the height of the Pandemic. Specifically, I did not find any comparable hotel located in a CBD in St. Louis or a comparable market (determined further in this report as Louisville, Cincinnati, Kansas City, and Indianapolis), that would have met The Last Hotel’s required DSCR in

December 2020, based on The Last Hotel's debt service per available room compared to net operating income on a per available room basis of the comparable hotels. I reviewed the best available data when searching for this information, data that would have shown evidence of comparable hotels in comparable markets meeting the DSCR, if there were any. Finally, most lenders offered flexibility to hotel owners during the Pandemic. Based on my review and experience, I am not aware of any other circumstance in which a lender matured a hotel loan and did not extend its terms during the height of the Pandemic.

Qualifications

Daniel H. Lesser has more than forty years of specialized experience worldwide in hospitality related: real estate appraisals, economic feasibility evaluations, investment counseling, asset management, receivership, and transactional services of hotels, resorts, conference centers, casinos, mixed use facilities, spa & wellness properties, and timeshare/fractional ownership properties.

Mr. Lesser offers a 360-degree, cross-functional and multi-disciplinary lodging industry perspective. Proffering innovation and strategy, Mr. Lesser serves as a third-party advisor and independent expert witness, neutral arbitrator, business model canvasser, asset manager, property/business receiver, and as a principal investor, borrower, guarantor, franchisee. Mr. Lesser provides services to corporate, institutional, municipalities, and individual clients on all facets of hospitality real estate including site evaluation, highest and best use analysis, appraisals for mortgage, acquisition, and portfolio management, workout strategies, operational analysis, property tax assessment appeal evaluations, economic impact studies, market and feasibility analysis, strategic planning, management and/or franchise company selection and contract negotiation, deal structuring, and fairness opinions. Mr. Lesser has served as a court-appointed receiver in connection with dozens of hotels throughout the U.S.

An international authority and thought leader with substantial credibility on the topic of hotel feasibility and property valuation, Mr. Lesser has served as an expert witness under oath through depositions and testimony in court and arbitration hearings in U.S. federal and state courts, and domestic and international arbitrations in connection with a wide variety of matters including: bankruptcy, solvency, valuation analysis, interest rate and plan confirmation feasibility, brand area of protection, condemnation, construction defect and/or delay damages, ground/property rent reset, management dispute, partnership/joint venture conflict, property tax certiorari, and lodging industry standards, customs and practices to evaluate legal liability.

Mr. Lesser always bases his opinion(s) and/or conclusion(s) on thorough research conducted with an objective perspective. Rather than limiting his litigation related engagements to one type of stakeholder, he has been retained by counsel to hotel owners, lenders, investors, and management companies. Mr. Lesser has balanced his practice with service as a neutral panelist in commercial arbitration disputes.

Prior to his hospitality advisory experience, Mr. Lesser held operational and administrative positions with Hilton Hotels Corporation and Eurotels-Switzerland. Mr. Lesser has spoken at more than 200 lodging and real estate events, as well as lectures at institutions of higher education, including American University Washington College of Law, Columbia University, Cornell University, New York University, and Pennsylvania State University. Mr. Lesser is widely published and quoted in major newspaper, internet, business, real estate, and hospitality industry periodicals, and has or currently serves as a columnist for HotelNewsNow.com, HotelBusiness.com, GlobeSt.com, and Hotelsmag.com.

Mr. Lesser earned a Bachelor of Science degree in Hotel Administration from Cornell University, and attended the Ecole Hôtelière de Lausanne Switzerland, and Baruch College - City University of New York. Mr. Lesser holds the following professional designations: MAI (Member of the Appraisal Institute), FRICS (Fellow of The Royal Institution of Chartered Surveyors), CRE (Counselor of Real Estate), and CHA (Certified Hotel Administrator). Mr. Lesser is a Certified Part 36 Judiciary Receiver in the State of New York.

Mr. Lesser is a member of and/or has served on numerous committees for the Counselors of Real Estate, the Appraisal Institute, the American Hotel & Motel Association, and the Board of Directors of the New York City Chapter of the Cornell Hotel Society. He is a former advisory board member and member of the Fundraising Subcommittee for the New York University Preston Robert Tisch Center for Hospitality, Tourism and Sports Management. Mr. Lesser is an advisory board member of Mosaic Real Estate Investors, LLC and 1st Service Solutions, Inc. He is a member of The Penn State School of Hospitality Management Industry Advisory Board and served as the school's Fall 2015 Walter J. Conti Visiting Professor. Mr. Lesser is a founding member of the Lodging Industry Investment Council (LIIC), the hotel industry "think tank." He is a member of the American Arbitration Association (AAA) Panel of Neutrals. Mr. Lesser is an advisory board member of the annual Radical Innovation Award. He served as an Honorary Committee Member of the annual UJA-Federation New York Hotel & Hospitality Division Dinner and was a founding member of the American Israel Public Affairs Committee (AIPAC) Real Estate Division. Mr. Lesser has served on the fundraising committee for the Shatterproof Challenge at the 2016 through 2022

Americas Lodging Investment Summit (ALIS). Mr. Lesser serves on the Board of Directors and as a Senior Advisor to the Founder and President of The MirYam Institute, a U.S. based, non-profit NGO with official 501(c)(3) status.

Appendix A provides a list of all other cases in which, during the previous four years, he has testified as an expert at trial or by deposition. Appendix B provides a list of all publications he has authored in the previous ten years. He is being paid \$750 per hour to conduct this work, with his associates being paid a lower hourly wage between \$500 and \$700, depending on their skill and experience.

Based on his skill, experience, and detailed work on this assignment, all opinions provided in this report are to a reasonable degree of professional certainty.

Appendix C summarizes Mr. Lesser's qualifications in greater detail. None of Mr. Lesser's compensation is contingent upon the outcome of the dispute. For this assignment, Mr. Lesser was assisted by Jonathan Jaeger, MAI, ISHC and Matthew Baker.

Supporting Data and Methods

This report compiles data from various sources including CoStar and STR to illustrate the impact the Pandemic had on the lodging industry, specifically hotels in downtown St. Louis as well as comparable cities. To compile the most relevant information for this analysis, we have analyzed various characteristics of the subject property, The Last Hotel which is considered a Full-Service hotel. Per STR, Full-Service hotels are *"typically Upscale, Upper Upscale and Luxury properties with a wide variety of onsite amenities, such as restaurants, meeting spaces, exercise rooms or spas."* STR further categorizes hotels into "Classes," primarily based on ADR. The class segments include Luxury, Upper Upscale, Upscale, Upper Midscale, Midscale and Economy. Considering the attributes, product offering and market positioning of The Last Hotel, the Upper Upscale and Upscale classes are considered most comparable. Therefore, specialized data sets presented (all data presented further in this report, outside of national and overall St. Louis market-based data) include selected hotels that are characterized as Full-Service, Upper Upscale or Upscale hotels.

As this analysis seeks to present net operating income ("NOI") of hotels considered comparable to The Last Hotel, from a hotel scale perspective (determined as Full-Service, Upper Upscale and Upscale hotels) and from a submarket location (CBD submarkets), I reviewed NOI data available via CoStar as I am confident in the accuracy and reliability of this source. Further, the information presented on CoStar is considered public information, and therefore confidentiality issues surrounding these data are not

questioned. As such, for the purposes of this analysis, I am confident the NOI data for hotels considered comparable to The Last Hotel is the best available data, and most appropriate to use.

STR reports and data are widely used in the hospitality industry as it provides premium data benchmarking and analytics. It is important to note that STR provides aggregate information for a selected data set. This analysis primarily focuses on NOI data, but it is important to review occupancy, ADR and RevPAR operating metrics, as these correlate directly to NOI. As such, I have presented operating metrics for the overall St. Louis market (a map displayed further in this report outlines the geographic areas included in the market), Upper Upscale and Upscale hotels located in the St. Louis market, and St. Louis CBD submarket. It is important to note that STR also compiles aggregate historical profit and loss statements (via STR HOST "P&L Reports") for reporting hotels. For the purposes of this analysis, I have selected a set of thirteen (13) comparable hotels, to be discussed further in this report. The P&L Reports illustrate aggregate revenue and expense data for those hotels. Each of these thirteen hotels are Full-Service hotels that are of the Upscale or Upper Upscale class located in, and proximate to, CBD submarkets in comparable cities such as Louisville, Cincinnati, Kansas City, and Indianapolis (all considered comparable markets to The Last Hotel).

It is important to note that a review of the year-over-year changes reflect the impact that the Pandemic has had on the hotel industry, and more specifically, hotels considered comparable to The Last Hotel. Furthermore, the year 2020 was considered an anomalous year in the hotel industry due to the Pandemic, as operating metrics experienced precipitous declines, which far exceeded prior downturns. I have presented annual percentage changes (industry norm when presenting operating data) from 2019 to 2020 throughout this report, as well as percentage changes from 2020 to 2021. I caution the reader that percentage changes from 2020 to 2021 are misleading given the aforementioned, precipitous declines incurred in 2020, brought on by an unprecedented event such as the Pandemic. As such, throughout this report, I have referenced the difference in 2021 vs. 2019 metrics, as 2021 operating metrics reflect a partial year in which the industry began the recovery process.

Covid-19 Timeline of Events

In March 2020, hotel industry performance fell to historic lows due to stay-at-home orders, capacity restrictions, and phased reopenings as Covid-19 spread across the globe. The year 2021 was focused on ending the Pandemic through vaccine distribution. The timeline below, per the CDC (Centers for Disease Control and Prevention), highlights key developments that occurred in 2020 and 2021 as it relates to the Pandemic.

2020

- March 11** WHO declares Covid-19 a pandemic.
- March 13** President Trump declares Covid-19 a national emergency and a travel ban on Non-U.S. citizens traveling from Europe goes into effect.
- April 16** “Gating Criteria” emerge as a way to reopen the economy.
- May 28** U.S. Covid-19 deaths pass the 100,000 mark.
- June 10** U.S. Covid-19 cases reaches 2 million.
- July 7** U.S. surpasses 3 million cases, begins WHO withdrawal.
- August 17** Covid-19 now becomes the third-leading cause of death in the U.S.
- September 28** Global Covid-19 deaths surpass 1 million.
- October 19** Global cases top 40 million.
- November 4** U.S. reports unprecedented 100,000 cases in one day.
- November 16** Moderna reveals vaccine efficacy results – reduces the risk of Covid-19 infection by 94.5%.
- November 18** Pfizer, BioNTech vaccine is 95% effective.
- November 23** AstraZeneca reports vaccine is 90% effective; FDA grants EUA for second antibody treatment.
- December 11** FDA agrees to EUA for Covid-19 vaccine from Pfizer, BioNTech.
- December 18** FDA signs off on EUA for Moderna’s Covid-19 vaccine.
- December 29** First U.S. case of Covid-19 variant found in Colorado.
- December 31** U.S. falls short of goal to give 20 million vaccinations by year-end.

2021

- January 18** U.S. Covid-19 death toll surpasses 400,000.
- January 25** First U.S. case of Brazil variant of coronavirus reported in Minnesota.
- January 26** Worldwide Covid-19 cases surpass 100 million.
- January 28** First U.S. case of South African variant of coronavirus reported in South Carolina.
- February 21** U.S. Covid-19 death toll surpasses 500,000.
- February 27** FDA approves emergency use authorization for Johnson & Johnson one shot Covid-19 vaccine.
- March 8** CDC announces that fully vaccinated people can gather indoors without masks.
- March 13** U.S. surpasses 100 million vaccinations administered.
- April 2** CDC announces fully vaccinated individuals can travel safely domestically in the U.S. without a Covid test first.
- April 21** U.S. surpasses 200 million vaccinations administered.
- June 1** The Delta variant, first identified in India in late 2020, becomes the dominant variant in the U.S. The variant kicks off a third wave of infections during the summer of 2021.
- July 27** After a substantial upswing in cases due to the Delta variant, CDC releases updated guidance for everyone in areas with substantial or high transmission to wear a mask while indoors.
- November 26** World Health Organization classifies a new variant, Omicron, as a variant of concern after it was first reported by scientists in South Africa. The variant has several mutations in the spike protein that concern scientists around the world.

Sources: The American Journal of Managed Care, CDC.gov

U.S. Lodging Market - Covid Impact

The aforementioned events are unprecedented in the hotel industry and were unforeseen and unforeseeable for hotel operators, lenders, consultants, and advisors. In my more than four-decade career in the industry, I have never seen a year where the hotel sector suffered anywhere near the decline that it experienced in 2020. The 2020 decline was driven by shutdown orders, restrictions on travel, mass cancellation of and restrictions on travel, corporation shifts towards remote meetings and conferences, and consumers' unwillingness to travel when death rates and risks of infection were unacceptably high. Beginning in early 2021, the number of new, confirmed cases in the U.S. began to decrease as vaccines were widely distributed. In March of 2021, several states began to end and/or ease Covid-related restrictions including mask mandates. These restrictions continued to be lifted through the second quarter, and now most states no longer have any significant restrictions in place. However, a new strain of the disease known as the "Delta Variant" caused an uptick in cases through the middle of 2021. Several areas of the country such as Los Angeles County and New York City reacted by reinstituting indoor mask mandates and other measures to reduce the spread. In late 2021 and early 2022, another new strain of the disease known as the "Omicron Variant" caused the number of confirmed Covid cases to peak to daily records several times more than any previous peak experienced during the Pandemic.

On December 11, 2020, the FDA issued an emergency use authorization (EUA) for a Covid-19 vaccine created by Pfizer and BioNTech. One week later, the FDA issued an EUA for a second vaccine created by Moderna. On February 27, 2021, the FDA issued an EUA for the Janssen (Johnson & Johnson) vaccine, bringing a third option to the market and the first that only required a single shot. The timeline for vaccine availability and distribution to the general public accelerated rapidly throughout the year. In February 2021, every American 16 years of age and older was eligible to receive a Covid-19 vaccination. By October 2021, the Pfizer vaccine had also been cleared by the FDA for children between the ages of 5 and 15. On August 23, 2021, the FDA granted full approval to the Pfizer vaccine, the first to receive full approval in the United States. During the late stages of 2021 and early 2022, the government recommended that most people receive a third dose or booster shot to increase immune response to the virus. As of January 7, 2022, 62.3% of the U.S. population was fully vaccinated (73.0% of adults over the age of 18) while 73.9% have received at least one dose.

These events created an immediate and profound disruption to the hotel industry. Table 1 below shows the national lodging market's occupancy, average daily rate (ADR), and RevPAR from 2000 through 2021. The Dictionary of Real Estate Appraisal (6th Edition) defines RevPAR "a unit of comparison applied in

the appraisal of lodging facilities. Calculated by multiplying a hotel's percentage of occupancy by the average room rates. RevPAR is used throughout the lodging industry to compare the income of competing facilities." For most years from 2000 through 2021, hotel operating metrics gradually increased or marginally decreased. The most dramatic, pre-Pandemic change identified in this Table is when the 2008 recession caused Occupancy to fall 3.8% in 2008 and 8.2% in 2009. RevPAR, in turn fell 1.5% in 2008 and another 16.3% in 2009. The collapse of the hotel market in 2020 was three to four times worse. Total U.S. RevPAR ended 2020 47.2% percent below 2019. More narrowly, from the beginning of March through mid-April 2020, national RevPAR fell more than 80% compared to 2019's RevPAR over the same weeks.

Table 1

<i>National Hotel Market Historical Operating Metrics</i>						
Year	Occupancy	% Change	ADR	% Change	RevPAR	% Change
2021	57.7%	31.6%	\$126.38	19.1%	\$72.90	56.8%
2020	43.8%	-32.8%	\$106.12	-21.3%	\$46.50	-47.2%
2019	65.2%	0.2%	\$134.92	1.0%	\$88.03	1.2%
2018	65.1%	0.5%	\$133.64	2.6%	\$87.02	3.1%
2017	64.8%	0.8%	\$130.31	2.5%	\$84.39	3.3%
2016	64.2%	0.2%	\$127.19	3.3%	\$81.70	3.5%
2015	64.1%	1.6%	\$123.07	5.0%	\$78.92	6.7%
2014	63.1%	-0.5%	\$117.23	9.2%	\$73.99	8.7%
2013	63.5%	1.9%	\$107.32	3.8%	\$68.09	5.7%
2012	62.3%	2.8%	\$103.40	4.1%	\$64.40	7.0%
2011	60.6%	4.9%	\$99.31	3.5%	\$60.19	8.6%
2010	57.8%	6.1%	\$95.91	-0.2%	\$55.43	5.9%
2009	54.5%	-8.2%	\$96.07	-8.8%	\$52.32	-16.3%
2008	59.3%	-3.8%	\$105.38	2.4%	\$62.53	-1.5%
2007	61.7%	0.3%	\$102.88	5.8%	\$63.46	6.1%
2006	61.5%	0.8%	\$97.21	6.9%	\$59.79	7.8%
2005	61.0%	3.5%	\$90.95	5.3%	\$55.47	9.0%
2004	58.9%	4.6%	\$86.36	4.0%	\$50.89	8.8%
2003	56.4%	0.9%	\$83.01	-0.4%	\$46.78	0.5%
2002	55.9%	-0.7%	\$83.36	-1.7%	\$46.56	-2.4%
2001	56.2%	-5.7%	\$84.77	-1.3%	\$47.68	-7.0%
2000	59.7%	-	\$85.91	-	\$51.26	-

Source: Lodging Analytics Research & Consulting & STR

Occupancy declined 70% during the beginning of March through mid-April 2020, and ADR decreased more than 40%, both as compared to 2019 data for the same measurements of industry health. This historic decline occurred contemporaneous with, and in the weeks following, the World Health

Organization's declaration that Covid-19 had become a worldwide pandemic, President Trump's National Emergency Proclamation concerning Covid-19, and cities' and states' first shutdown orders. April 11, 2020, was the worst week on record for the hotel industry, as measured by of the percentage RevPAR decline. From that point forward, the national lodging market began to show incremental improvements through the week ending July 4th. That temporary progress was reversed by a spike in Covid-19 cases in states throughout the Southern and Western U.S., which caused a decline in national performance metrics through the end of July. No material recovery in lodging market fundamentals was observed through year end 2020 and into the first quarter of 2021.

As vaccine distribution ramped up, the second quarter 2021 performance metrics made a partial recovery compared to 2020. However, overall Occupancy, ADR, and RevPAR metrics as of year-end 2021 were still below 2019 levels. Corporate and group travel had not yet returned to pre-Pandemic levels. Some companies and group travel planners began to increase travel in Fall 2021, but with the new variants introduced in the second half of 2021, overall reopening and return timelines were extended into 2022. For these reasons, and because the 2020 performance metrics were anomalously low, comparisons between 2021 and 2019 are more informative of the overall health of the hotel industry, as compared to pre-Pandemic operations.

Different geographic markets, and hotels within those markets, reacted differently to the challenge of the Pandemic. Between March and May of 2020, it was reported that approximately 800,000 hotel rooms in the United States were temporarily closed (representing ~14% of U.S. supply). By year-end 2021, a majority of the temporarily closed hotels had re-opened (~85%). However, several Full-Service and convention-oriented hotels in Top 25 markets have remained closed (approximately 155,000 rooms or 3% of the US rooms inventory). Most of these properties are expected to re-open once group demand returns on a consistent basis. The following six markets account for 60% of the remaining closures: New York, Orlando, Chicago, San Francisco, Washington D.C., and Anaheim. The Last Hotel never closed, nor did it substantively reduce its capacity in 2020 or 2021.

St. Louis Hotel Market – Covid Impact in 2020 and 2021

Leading up to the Pandemic, the St. Louis economy achieved relatively steady economic growth. The Pandemic halted this growth and devastated the local job market. In April of 2020, the St. Louis Metropolitan Statistics Area's unemployment rate spiked at 11.8% but has since decreased to a 4.1% level as of December 2021, according to the U.S. Bureau of Labor Statistics. Overall and as of year-end 2021, the St. Louis market had recovered almost all jobs lost during the depths of the Pandemic. However, the labor pool across the same market has shrunk by over 40,000 since the months leading up to the Pandemic. These economic declines affect the hotel market because they reduce business travel and household income for local families who may spend an evening or a weekend at the hotel. A tighter labor market also effects hotel operations, by reducing the availability of eligible employees.

The following table presents the historical actuals and changes in occupancy, average daily rate (ADR), and RevPAR for the St. Louis hotel market (all reporting hotels within the geographical area shown in Figure 1).

Table 2

<i>St. Louis Hotel Market Historical Operating Metrics</i>						
Year	Occupancy	% Change	ADR	% Change	RevPAR	% Change
2021	51.7%	37.7%	\$101.35	20.6%	\$52.43	66.0%
2020	37.6%	-41.8%	\$84.02	-20.8%	\$31.58	-53.9%
2019	64.6%	0.5%	\$106.04	1.3%	\$68.49	1.8%
2018	64.3%	-0.7%	\$104.70	0.7%	\$67.31	0.0%
2017	64.8%	-1.1%	\$103.96	3.8%	\$67.33	2.6%
2016	65.5%	0.8%	\$100.20	1.7%	\$65.63	2.5%
2015	65.0%	1.9%	\$98.49	3.5%	\$64.01	5.4%
2014	63.8%	3.7%	\$95.14	6.1%	\$60.71	10.0%
2013	61.5%	1.5%	\$89.66	5.2%	\$55.18	6.8%
2012	60.6%	4.2%	\$85.26	2.4%	\$51.69	6.7%
2011	58.2%	2.4%	\$83.25	3.7%	\$48.43	6.2%
2010	56.8%	5.0%	\$80.29	-1.2%	\$45.59	3.7%
2009	54.1%	-6.6%	\$81.27	-5.9%	\$43.96	-12.2%
2008	57.9%	-3.9%	\$86.41	2.1%	\$50.04	-2.0%
2007	60.3%	0.7%	\$84.67	4.9%	\$51.04	5.6%
2006	59.9%	0.7%	\$80.75	3.1%	\$48.35	3.8%
2005	59.5%	0.6%	\$78.34	4.1%	\$46.59	4.7%
2004	59.1%	1.5%	\$75.22	3.8%	\$44.49	5.4%
2003	58.3%	-4.1%	\$72.45	0.8%	\$42.21	-3.2%
2002	60.7%	-0.2%	\$71.85	0.6%	\$43.62	0.3%
2001	60.8%	-3.9%	\$71.45	0.9%	\$43.48	-3.1%
2000	63.3%	-	\$70.83	-	\$44.85	-

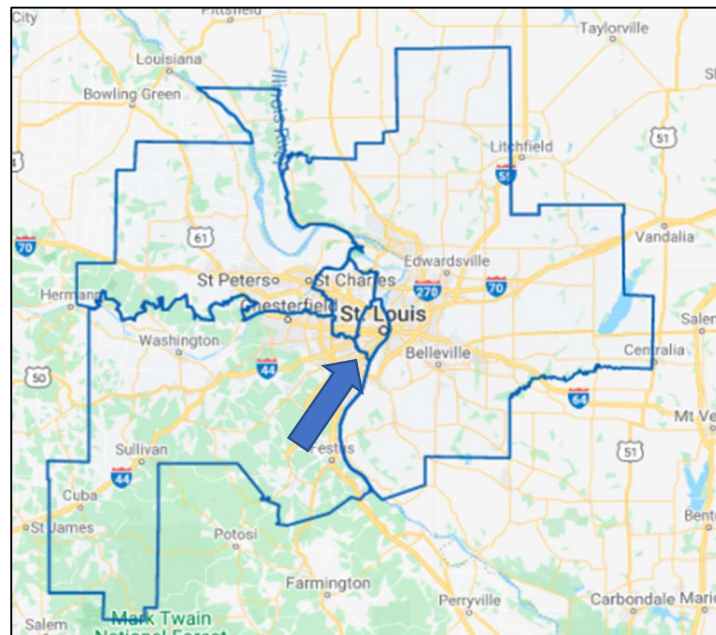
Source: CoStar

Similar to the National Market, St. Louis hotels' performance in 2020 showed the largest decline of any of the years for which these data are available: RevPAR declined 53.9%, Occupancy declined 41.8% and ADR decreased 20.8%. In 2020, despite the start of the recovery process, RevPAR still remained 23.4% below 2019 levels. These data are important to present given The Last Hotel's location in the overall St. Louis market. Granted, these data represents reporting hotels of all "classes," and therefore the following sections contains data that are considered more specialized to The Last Hotel from a geographic and product offering perspective.

Covid-19 Performance of Upscale and Upper Upscale Hotels in St. Louis

To more closely understand how Covid-19 has impacted the markets in which The Last Hotel operates, I also reviewed the CBD submarket and Upscale and Upper Upscale class operating metrics (occupancy, ADR, and RevPAR) against overall market metrics. Figure 1 presents the geographic area of all reporting hotels in the overall St. Louis hotel market, and an arrow shows the CBD submarket (The Last Hotel submarket). Table 3 displays the CBD submarket's historical performance, Table 4 displays historical performance for all Upper Upscale hotels in the overall St. Louis hotel market, and Table 5 displays historical performance for all Upscale hotels in the overall St. Louis hotel market. It is important to note in Tables 3 and 4, occupancy and RevPAR faced more dramatic declines from 2019 to 2020 than experienced in the broader St. Louis hotel market (Table 2 presented previously).

Figure 1



Source: CoStar

Table 3

St. Louis CBD Hotel Submarket Historical Operating Metrics						
Year	Occupancy	% Change	ADR	% Change	RevPAR	% Change
2021	41.1%	53.0%	\$146.28	25.7%	\$60.10	92.3%
2020	26.9%	-59.1%	\$116.36	-20.5%	\$31.25	-67.5%
2019	65.7%	-1.4%	\$146.40	4.5%	\$96.18	3.1%
2018	66.6%	-0.8%	\$140.04	-0.8%	\$93.29	-1.6%
2017	67.1%	0.8%	\$141.24	4.0%	\$94.81	4.8%
2016	66.6%	2.0%	\$135.87	0.5%	\$90.44	2.5%
2015	65.3%	-1.7%	\$135.20	4.4%	\$88.28	2.6%
2014	66.4%	1.6%	\$129.55	8.2%	\$86.02	10.0%
2013	65.3%	6.9%	\$119.68	4.7%	\$78.19	11.9%
2012	61.1%	4.4%	\$114.30	0.6%	\$69.85	5.0%
2011	58.6%	0.1%	\$113.63	5.0%	\$66.53	5.1%
2010	58.5%	6.4%	\$108.25	-0.9%	\$63.31	5.4%
2009	55.0%	-7.0%	\$109.28	-3.5%	\$60.07	-10.3%
2008	59.1%	-1.1%	\$113.26	0.7%	\$66.97	-0.3%
2007	59.8%	0.7%	\$112.44	6.0%	\$67.20	6.7%
2006	59.3%	1.8%	\$106.11	2.9%	\$62.95	4.8%
2005	58.3%	2.4%	\$103.11	2.2%	\$60.08	4.6%
2004	56.9%	5.6%	\$100.92	3.7%	\$57.46	9.5%
2003	53.9%	-4.3%	\$97.28	-2.6%	\$52.45	-6.8%
2002	56.3%	-3.2%	\$99.92	0.0%	\$56.29	-3.2%
2001	58.2%	-8.8%	\$99.96	2.7%	\$58.16	-6.4%
2000	63.8%	-	\$97.32	-	\$62.10	-

Source: CoStar

As can be seen in Table 3, occupancy for hotels located in the St. Louis CBD market declined by 59.1% in 2020, as compared to 41.8% for the St. Louis market as a whole. Over the same time period, RevPAR declined 67.5% in the St. Louis CBD market, compared to 53.9% for the St. Louis market, highlighting the fact that the CBD trailed behind the overall MSA.

In 2021, St. Louis CBD hotels' Occupancy rebounded partially but was still 37.4% below 2019 levels. Similarly, St. Louis CBD hotels' RevPAR rebounded partially but was still 37.5% below 2019 levels.

The historical annual performance for the Upper Upscale and Upscale class hotels in the St. Louis market are shown in the following Table 4 and Table 5, respectively.

Table 4

<i>St. Louis Hotel Market Historical Operating Metrics - Upper Upscale Hotels</i>						
Year	Occupancy	% Change	ADR	% Change	RevPAR	% Change
2021	41.4%	44.5%	\$138.09	22.8%	\$57.13	77.5%
2020	28.6%	-58.9%	\$112.42	-21.4%	\$32.19	-67.7%
2019	69.7%	-0.7%	\$142.95	3.0%	\$99.60	2.2%
2018	70.2%	0.1%	\$138.85	-0.4%	\$97.46	-0.3%
2017	70.1%	1.0%	\$139.44	3.7%	\$97.80	4.7%
2016	69.5%	1.5%	\$134.44	1.6%	\$93.37	3.1%
2015	68.4%	-0.5%	\$132.28	3.7%	\$90.53	3.3%
2014	68.8%	0.3%	\$127.51	6.8%	\$87.68	7.2%
2013	68.5%	3.1%	\$119.36	4.5%	\$81.81	7.8%
2012	66.5%	6.1%	\$114.21	0.8%	\$75.92	7.0%
2011	62.6%	0.4%	\$113.31	5.9%	\$70.99	6.3%
2010	62.4%	9.1%	\$107.02	-2.4%	\$66.77	6.5%
2009	57.2%	-8.7%	\$109.62	-6.4%	\$62.68	-14.5%
2008	62.6%	-2.2%	\$117.15	0.3%	\$73.35	-1.9%
2007	64.0%	1.8%	\$116.81	4.6%	\$74.76	6.4%
2006	62.9%	0.8%	\$111.72	2.5%	\$70.25	3.3%
2005	62.4%	1.7%	\$109.01	3.1%	\$67.99	4.9%
2004	61.3%	6.1%	\$105.70	3.0%	\$64.82	9.3%
2003	57.8%	-10.0%	\$102.66	3.5%	\$59.31	-6.9%
2002	64.2%	-0.8%	\$99.17	-2.4%	\$63.68	-3.2%
2001	64.7%	-6.3%	\$101.63	0.0%	\$65.78	-6.4%
2000	69.1%	-	\$101.65	-	\$70.25	-

Source: CoStar

As illustrated in Table 4, occupancy for Upper Upscale hotels located in the St. Louis market declined by 58.9% in 2020, as compared to a 41.8% decline experienced by the St. Louis market as a whole. Over the same time period, RevPAR declined 67.7% in the St. Louis Upper Upscale market, compared to a 53.9% decline in the St. Louis market, highlighting the fact that the Upper Upscale market trailed behind the overall MSA.

In 2021, St. Louis Upper Upscale hotels' occupancy rebounded partially but was still 40.6% below 2019 levels. Similarly, St. Louis Upper Upscale hotels' RevPAR rebounded partially but was still 42.6% below 2019 levels.

Table 5

<i>St. Louis Hotel Market Historical Operating Metrics - Upscale Hotels</i>						
Year	Occupancy	% Change	ADR	% Change	RevPAR	% Change
2021	51.6%	38.1%	\$108.31	13.0%	\$55.94	56.1%
2020	37.4%	-46.3%	\$95.81	-16.4%	\$35.84	-55.1%
2019	69.6%	-1.4%	\$114.61	0.9%	\$79.76	-0.6%
2018	70.6%	-0.5%	\$113.62	0.0%	\$80.21	-0.4%
2017	70.9%	-0.1%	\$113.60	2.3%	\$80.56	2.2%
2016	71.0%	1.0%	\$111.01	1.7%	\$78.84	2.6%
2015	70.4%	0.4%	\$109.18	3.3%	\$76.81	3.7%
2014	70.1%	2.8%	\$105.68	6.0%	\$74.07	9.0%
2013	68.2%	6.8%	\$99.67	4.2%	\$67.97	11.3%
2012	63.8%	3.2%	\$95.65	1.7%	\$61.05	5.0%
2011	61.8%	4.6%	\$94.06	2.6%	\$58.15	7.3%
2010	59.1%	6.7%	\$91.70	0.3%	\$54.21	7.0%
2009	55.4%	-9.8%	\$91.43	-3.6%	\$50.67	-13.0%
2008	61.4%	-6.5%	\$94.87	4.2%	\$58.26	-2.5%
2007	65.7%	0.6%	\$91.05	5.5%	\$59.78	6.1%
2006	65.3%	1.9%	\$86.27	3.3%	\$56.33	5.3%
2005	64.1%	2.2%	\$83.48	2.3%	\$53.51	4.6%
2004	62.7%	3.3%	\$81.58	3.3%	\$51.15	6.8%
2003	60.7%	-2.9%	\$78.94	-4.4%	\$47.90	-7.2%
2002	62.5%	1.5%	\$82.60	-1.7%	\$51.63	-0.3%
2001	61.6%	-8.7%	\$84.07	2.8%	\$51.79	-6.2%
2000	67.5%	-	\$81.80	-	\$55.20	-

Source: CoStar

As illustrated in Table 5, occupancy for Upscale hotels located in the St. Louis market declined by 46.3% in 2020, similar to the 41.8% decrease experienced by the St. Louis market as a whole. Over the same time period, RevPAR fell 55.1% in the St. Louis Upscale market, compared to a 53.9% decline in the St. Louis market.

In 2021, St. Louis Upscale hotels' occupancy rebounded partially but was still 25.9% below 2019 levels. Similarly, St. Louis Upscale hotels' RevPAR rebounded partially but was still 29.8% below 2019 levels.

Presented below is the data from Tables 2 – 5 in a consolidated table.

Table 6

Year	St. Louis Overall						St. Louis Overall - Upper Upscale						St. Louis Overall - Upscale						St. Louis CBD Submarket					
	Occupancy	% Change	ADR	% Change	RevPAR	% Change	Occupancy	% Change	ADR	% Change	RevPAR	% Change	Occupancy	% Change	ADR	% Change	RevPAR	% Change	Occupancy	% Change	ADR	% Change	RevPAR	% Change
2021	51.7%	37.7%	\$101.35	20.6%	\$52.43	66.0%	41.4%	44.5%	\$138.09	22.8%	\$57.13	77.5%	51.6%	38.1%	\$108.31	13.0%	\$55.94	56.1%	41.1%	53.0%	\$146.28	25.7%	\$60.10	92.3%
2020	37.6%	-41.8%	\$84.02	-20.8%	\$31.58	-53.9%	28.6%	-58.9%	\$112.42	-21.4%	\$32.19	-67.7%	37.4%	-46.3%	\$95.81	-16.4%	\$35.84	-55.1%	26.9%	-59.1%	\$116.36	-20.5%	\$31.25	-67.5%
2019	64.6%	0.5%	\$106.04	1.3%	\$68.49	1.8%	69.7%	-0.7%	\$142.95	3.0%	\$99.60	2.2%	69.6%	-1.4%	\$114.61	0.9%	\$79.76	-0.6%	65.7%	-1.4%	\$146.40	4.5%	\$96.18	3.1%
2018	64.3%	-0.7%	\$104.70	0.7%	\$67.31	0.0%	70.2%	0.1%	\$138.85	-0.4%	\$97.46	-0.3%	70.6%	-0.5%	\$113.62	0.0%	\$80.21	-0.4%	66.6%	-0.8%	\$140.04	-0.8%	\$93.29	-1.6%
2017	64.8%	-1.1%	\$103.96	3.8%	\$67.33	2.6%	70.1%	1.0%	\$139.44	3.7%	\$97.80	4.7%	70.9%	-0.1%	\$113.60	2.3%	\$80.56	2.2%	67.1%	0.8%	\$141.24	4.0%	\$94.81	4.8%
2016	65.5%	0.8%	\$100.20	1.7%	\$65.63	2.5%	69.5%	1.5%	\$134.44	1.6%	\$93.37	3.1%	71.0%	1.0%	\$111.01	1.7%	\$78.84	2.6%	66.6%	2.0%	\$135.87	0.5%	\$90.44	2.5%
2015	65.0%	1.9%	\$98.49	3.5%	\$64.01	5.4%	68.4%	-0.5%	\$132.28	3.7%	\$90.53	3.3%	70.4%	0.4%	\$109.18	3.3%	\$76.81	3.7%	65.3%	-1.7%	\$135.20	4.4%	\$88.28	2.6%
2014	63.8%	3.7%	\$95.14	6.1%	\$60.71	10.0%	68.8%	0.3%	\$127.51	6.8%	\$87.68	7.2%	70.1%	2.8%	\$105.68	6.0%	\$74.07	9.0%	66.4%	1.6%	\$129.55	8.2%	\$86.02	10.0%
2013	61.5%	1.5%	\$89.66	5.2%	\$55.18	6.8%	68.5%	3.1%	\$119.36	4.5%	\$81.81	7.8%	68.2%	6.8%	\$99.67	4.2%	\$67.97	11.3%	65.3%	6.9%	\$119.68	4.7%	\$78.19	11.9%
2012	60.6%	4.2%	\$85.26	2.4%	\$51.69	6.7%	66.5%	6.1%	\$114.21	0.8%	\$75.92	7.0%	63.8%	3.2%	\$95.65	1.7%	\$61.05	5.0%	61.1%	4.4%	\$114.30	0.6%	\$69.85	5.0%
2011	58.2%	2.4%	\$83.25	3.7%	\$48.43	6.2%	62.6%	0.4%	\$113.31	5.9%	\$70.99	6.3%	61.8%	4.6%	\$94.06	2.6%	\$58.15	7.3%	58.6%	0.1%	\$113.63	5.0%	\$66.53	5.1%
2010	56.8%	5.0%	\$80.29	-1.2%	\$45.59	3.7%	62.4%	9.1%	\$107.02	-2.4%	\$66.77	6.5%	59.1%	6.7%	\$91.70	0.3%	\$54.21	7.0%	58.5%	6.4%	\$108.25	-0.9%	\$63.31	5.4%
2009	54.1%	-6.6%	\$81.27	-5.9%	\$43.96	-12.2%	57.2%	-8.7%	\$109.62	-6.4%	\$62.68	-14.5%	55.4%	-9.8%	\$91.43	-3.6%	\$50.67	-13.0%	55.0%	-7.0%	\$109.28	-3.5%	\$60.07	-10.3%
2008	57.9%	-3.9%	\$86.41	2.1%	\$50.04	-2.0%	62.6%	-2.2%	\$117.15	0.3%	\$73.35	-1.9%	61.4%	-6.5%	\$94.87	4.2%	\$58.26	-2.5%	59.1%	-1.1%	\$113.26	0.7%	\$66.97	-0.3%
2007	60.3%	0.7%	\$84.67	4.9%	\$51.04	5.6%	64.0%	1.8%	\$116.81	4.6%	\$74.76	6.4%	65.7%	0.6%	\$91.05	5.5%	\$59.78	6.1%	59.8%	0.7%	\$112.44	6.0%	\$67.20	6.7%
2006	59.9%	0.7%	\$80.75	3.1%	\$48.35	3.8%	62.9%	0.8%	\$111.72	2.5%	\$70.25	3.3%	65.3%	1.9%	\$86.27	3.3%	\$56.33	5.3%	59.3%	1.8%	\$106.11	2.9%	\$62.95	4.8%
2005	59.5%	0.6%	\$78.34	4.1%	\$46.59	4.7%	62.4%	1.7%	\$109.01	3.1%	\$67.99	4.9%	64.1%	2.2%	\$83.48	2.3%	\$53.51	4.6%	58.3%	2.4%	\$103.11	2.2%	\$60.08	4.6%
2004	59.1%	1.5%	\$75.22	3.8%	\$44.49	5.4%	61.3%	6.1%	\$105.70	3.0%	\$64.82	9.3%	62.7%	3.3%	\$81.58	3.3%	\$51.15	6.8%	56.9%	5.6%	\$100.92	3.7%	\$57.46	9.5%
2003	58.3%	-4.1%	\$72.45	0.8%	\$42.21	-3.2%	57.8%	-10.0%	\$102.66	3.5%	\$59.31	-6.9%	60.7%	-2.9%	\$78.94	-4.4%	\$47.90	-7.2%	53.9%	-4.3%	\$97.28	-2.6%	\$52.45	-6.8%
2002	60.7%	-0.2%	\$71.85	0.6%	\$43.62	0.3%	64.2%	-0.8%	\$99.17	-2.4%	\$63.68	-3.2%	62.5%	1.5%	\$82.60	-1.7%	\$51.63	-0.3%	56.3%	-3.2%	\$99.92	0.0%	\$56.29	-3.2%
2001	60.8%	-3.9%	\$71.45	0.9%	\$43.48	-3.1%	64.7%	-6.3%	\$101.63	0.0%	\$65.78	-6.4%	61.6%	-8.7%	\$84.07	2.8%	\$51.79	-6.2%	58.2%	-8.8%	\$99.96	2.7%	\$58.16	-6.4%
2000	63.3%	-	\$70.83	-	\$44.85	-	69.1%	-	\$101.65	-	\$70.25	-	67.5%	-	\$81.80	-	\$55.20	-	63.8%	-	\$97.32	-	\$62.10	-

Performance of Comparable Hotels in Comparable Hotel Markets

By examining the Upscale and Upper Upscale hotel markets in St. Louis's CBD and similar CBDs in other cities, I was able to evaluate the Pandemic's impact on hotels of greatest similarity to The Last Hotel. The following data sets provide a fine-grained analysis of the performance during the Pandemic of comparable Upscale or Upper Upscale hotels in comparable markets. When evaluating comparable markets, I examined historical operating metrics for hotels located in each market, as well as statistics that impact demand for transient lodging including office statistics, airport statistics, and Major League Baseball (MLB) stadium attendance. I found that Louisville, Cincinnati, Kansas City, and Indianapolis were markets comparable to St. Louis's CBD market based on the data presented in the following Table 7.

Table 7

Comparable City Data															
	St. Louis			Louisville			Cincinnati			Kansas City			Indianapolis		
Category	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Hotel Available Room Supply*	40,652	41,609	41,919	22,958	23,598	24,305	29,660	29,938	30,760	34,670	35,948	36,169	33,411	34,327	35,515
Convention Center Room Nights	468,314	102,982	375,886	681,948	167,154	N/A	N/A	N/A	N/A	315,266	64,220	N/A	725,000	267,304	N/A
Hotel Operating Metrics**															
Market Occupancy	64.6%	37.6%	51.7%	62.6%	36.7%	50.4%	64.8%	40.8%	55.1%	62.2%	38.5%	52.0%	64.1%	41.1%	56.8%
% Change	-	-41.8%	37.5%	-	-41.4%	37.3%	-	-37.0%	35.0%	-	-38.1%	35.1%	-	-35.9%	38.2%
Market ADR	\$106.04	\$84.02	\$101.32	\$115.50	\$82.76	\$99.76	\$108.01	\$85.22	\$103.32	\$104.22	\$84.36	\$98.71	\$114.05	\$85.89	\$103.51
% Change	-	-20.8%	20.6%	-	-28.3%	20.5%	-	-21.1%	21.2%	-	-19.1%	17.0%	-	-24.7%	20.5%
Market RevPAR	\$68.49	\$31.58	\$52.42	\$72.27	\$30.38	\$50.25	\$69.94	\$34.78	\$56.95	\$64.87	\$32.50	\$51.37	\$73.14	\$35.28	\$58.76
% Change	-	-53.9%	66.0%	-	-58.0%	65.4%	-	-50.3%	63.7%	-	-49.9%	58.1%	-	-51.8%	66.6%
Office Statistics															
Office Market Inventory (SF)	146M	146M	147M	59.7M	59.9M	60M	105M	105M	104M	125M	126M	127M	108M	109M	109M
Office Asking Rents	\$20.76	\$20.92	\$21.21	\$17.73	\$17.90	\$18.10	\$19.48	\$19.57	\$19.76	\$20.79	\$20.74	\$20.91	\$20.47	\$19.74	\$20.33
Office Vacancy	6.9%	7.6%	8.4%	5.5%	5.5%	6.4%	9.4%	9.2%	10.2%	7.0%	8.7%	9.4%	7.8%	8.7%	8.8%
Airport Statistics															
Airport Passenger Statistics	15,878,527	6,302,402	10,351,533	4,239,064	1,636,931	3,176,874	9,103,554	3,615,139	6,282,253	11,795,635	4,493,669	7,677,004	9,537,377	4,104,648	7,176,046
% Change	-	-60.3%	64.2%	-	-61.4%	94.1%	-	-60.3%	73.8%	-	-61.9%	70.8%	-	-57.0%	74.8%
MLB Baseball Stadium Attendance (per game)	42,968	N/A	25,957	N/A	N/A	N/A	22,334	N/A	18,581	18,267	N/A	14,316	N/A	N/A	N/A

*Per CoStar, as of December of each year

**Running 12-month data as of December for each year (per CoStar)

Within the five markets identified in Table 7, I reviewed historical profit and loss statements (via STR HOST “P&L Reports”) for a set of thirteen (13) comparable hotels listed below. The P&L Reports illustrate aggregate revenue and expense data for those hotels. Each of these thirteen hotels are Full-Service hotels that are of the Upscale or Upper Upscale class located in, and proximate to, CBD submarkets in Louisville, Cincinnati, Kansas City, and Indianapolis. A brief description of each hotel follows:

- *Delta Hotel Indianapolis East* – 119-room, Upscale hotel located in the Indianapolis Southeast Area submarket.
- *Hyatt Regency Louisville* – 393-room, Upper Upscale hotel located in the Louisville CBD submarket.
- *Marriott Indianapolis East* – 315-room, Upper Upscale hotel located in the Indianapolis Southeast Area submarket.
- *Embassy Suites by Hilton Indianapolis Downtown* – 360-room, Upper Upscale hotel located in the Indianapolis CBD submarket.
- *Sheraton Hotel Indianapolis at Keystone Crossing* – 395-room, Upper Upscale hotel located in the Indianapolis North Loop submarket.
- *Sheraton Hotel Indianapolis City Centre* – 378-room, Upper Upscale hotel located in the Indianapolis CBD submarket.
- *The Westin Cincinnati* – 456-room, Upper Upscale hotel located in the Cincinnati Northwest submarket.
- *Marriott Kansas City Country Club Plaza* – 295-room, Upper Upscale hotel located in the Kansas City CBD submarket.
- *Sheraton Suites Country Club Plaza* – 257-room, Upper Upscale hotel located in the Kansas City CBD submarket.
- *Le Meridien Indianapolis* – 100-room, Upper Upscale hotel located in the Indianapolis CBD submarket.
- *Embassy Suites by Hilton Kansas City International Airport* – 237-room, Upper Upscale hotel located in the Kansas City Airport & North submarket.
- *Embassy Suites by Hilton Cincinnati Rivercenter* – 227-room, Upper Upscale hotel located in the Cincinnati South/Airport submarket.
- *Hyatt Place Indianapolis Airport* – 134-room, Upscale hotel located in the Indianapolis Airport/Speedway submarket.

The tables on the following pages present side-by-side comparisons of 2020 and 2019 data from profit and loss reports, as well as 2021 and 2020 data, respectively, illustrating aggregate revenue and expense data for the data set of thirteen hotels.

Table 8

2022 Custom HOST Report
Summary

2020	Props:	13	2019	Props:	13
	Rooms:	3,666		Rooms:	3,666
	Occupancy:	33.5%		Occupancy:	71.4%
	ADR:	\$115.08		ADR:	\$151.42
	RevPAR:	\$38.50		RevPAR:	\$108.13
	TrevPAR:	\$50.91		TrevPAR:	\$147.22
	GOPPAR:	\$8.46		GOPPAR:	\$57.28

	2020			2019			Variance %	
	Ratio to Sales ¹	Amount Per Available Room	Amount Per Occupied Room Night	Ratio to Sales ¹	Amount Per Available Room	Amount Per Occupied Room Night	Amount Per Available Room	Amount Per Occupied Room Night
	%	\$	\$	%	\$	\$	%	%
REVENUE								
Rooms	75.6 %	\$ 13,857	\$ 115.08	73.4 %	\$ 39,467	\$ 151.42	(64.9) %	(24.0) %
Food	10.6	1,935	16.07	14.3	7,672	29.43	(74.8)	(45.4)
Beverage	2.8	519	4.31	3.5	1,855	7.12	(72.0)	(39.5)
Other Food & Beverage	2.6	478	3.97	3.4	1,804	6.92	(73.5)	(42.6)
Other Operated Departments	5.4	995	8.26	3.6	1,938	7.44	(48.7)	11.0
Miscellaneous Income	3.0	544	4.50	1.9	1,001	3.80	(45.7)	18.4
TOTAL REVENUE	100.0 %	\$ 18,327	\$ 152.20	100.0 %	\$ 53,736	\$ 206.17	(65.9) %	(26.2) %
DEPARTMENTAL EXPENSES								
Rooms	28.6 %	\$ 3,963	\$ 32.91	22.0 %	\$ 8,691	\$ 33.34	(54.4) %	(1.3) %
Food & Beverage	72.6	2,128	17.67	60.2	6,823	26.18	(68.8)	(32.5)
Other Operated Departments	38.3	381	3.16	50.0	968	3.72	(60.7)	(15.1)
TOTAL DEPARTMENTAL EXPENSES	35.3 %	\$ 6,471	\$ 53.74	30.7 %	\$ 16,482	\$ 63.24	(60.7) %	(15.0) %
DEPARTMENTAL PROFITS								
Rooms	71.4 %	\$ 9,894	\$ 82.17	78.0 %	\$ 30,776	\$ 118.08	(67.9) %	(30.4) %
Food & Beverage	27.4	804	6.68	39.8	4,507	17.29	(82.2)	(61.4)
Other Operated Departments	61.7	614	5.10	50.0	970	3.72	(36.7)	37.1
TOTAL DEPARTMENTAL PROFITS	64.7 %	\$ 11,856	\$ 98.46	69.3 %	\$ 37,254	\$ 142.93	(68.2) %	(31.1) %
UNDISTRIBUTED OPERATING EXPENSES								
Administrative & General	12.3 %	2,253	18.71	7.6 %	4,070	15.61	(44.6) %	19.9 %
Information & Telecommunications Systems	3.4	617	5.12	1.5	801	3.07	(23.0)	66.8
Marketing (excluding Franchise Fees)	10.6	1,948	16.18	8.9	4,807	18.44	(59.5)	(12.3)
Franchise Fees (royalty and marketing)	5.7	1,049	8.71	4.5	2,401	9.21	(56.3)	(5.4)
Utility Costs	8.6	1,585	13.16	3.9	2,092	8.03	(24.2)	63.9
Property Operation & Maintenance	7.4	1,358	11.28	4.0	2,176	8.35	(37.6)	35.1
TOTAL UNDISTRIBUTED OPERATING EXPENSES	48.1 %	\$ 8,810	\$ 73.16	30.4 %	\$ 16,346	\$ 62.72	(46.1) %	16.6 %
GROSS OPERATING PROFIT	16.6 %	\$ 3,046	\$ 25.29	38.9 %	\$ 20,908	\$ 80.22	(85.4) %	(68.5) %
Base Management Fees	2.0	372	3.09	2.1	1,114	4.28	(66.6)	(27.8)
Incentive Management Fees	-	-	-	0.1	59	0.23	(100.0)	(100.0)
INCOME BEFORE FIXED CHARGES	14.6 %	\$ 2,674	\$ 22.21	36.7 %	\$ 19,734	\$ 75.71	(86.4) %	(70.7) %
SELECTED FIXED CHARGES								
Non-Operating Income	35.0 %	\$ 6,422	\$ 53.33	5.9 %	\$ 3,173	\$ 12.17	102.4 %	338.2 %
Rent	10.5	1,933	16.06	8.5	4,557	17.48	(57.6)	(8.1)
Property Taxes	9.3	1,696	14.08	3.2	1,726	6.62	(1.7)	112.7
Insurance	1.9	340	2.83	0.6	332	1.27	2.4	122.8
EBITDA	(42.1) %	\$ (7,718)	\$ (64.10)	18.5 %	\$ 9,947	\$ 38.16	(177.6) %	(268.0) %

**Note, typical industry practice includes a reserve for replacement equal to 4.0% of total revenue.*

Table 9

2022 Custom HOST Report
Summary

2021	Props:	13	2020	Props:	13
	Rooms:	3,666		Rooms:	3,666
	Occupancy:	48.5%		Occupancy:	33.5%
	ADR:	\$128.78		ADR:	\$115.08
	RevPAR:	\$62.50		RevPAR:	\$38.50
	TrevPAR:	\$81.21		TrevPAR:	\$50.91
	GOPPAR:	\$23.76		GOPPAR:	\$8.46

	2021			2020			Variance %	
	Ratio to Sales ¹	Amount Per Available Room	Amount Per Occupied Room Night	Ratio to Sales ¹	Amount Per Available Room	Amount Per Occupied Room Night	Amount Per Available Room	Amount Per Occupied Room Night
	%	\$	\$	%	\$	\$	%	%
REVENUE								
Rooms	77.0 %	\$ 22,200	\$ 128.78	75.6 %	\$ 13,857	\$ 115.08	60.2 %	11.9 %
Food	10.4	3,004	17.42	10.6	1,935	16.07	55.2	8.4
Beverage	2.8	800	4.64	2.8	519	4.31	54.2	7.7
Other Food & Beverage	3.6	1,042	6.04	2.6	478	3.97	118.1	52.1
Other Operated Departments	4.5	1,297	7.52	5.4	995	8.26	30.4	(9.0)
Miscellaneous Income	1.7	502	2.90	3.0	544	4.50	(7.7)	(35.6)
TOTAL REVENUE	100.0 %	\$ 28,844	\$ 167.32	100.0 %	\$ 18,327	\$ 152.20	57.4 %	9.9 %
DEPARTMENTAL EXPENSES								
Rooms	26.9 %	\$ 5,971	\$ 34.64	28.6 %	\$ 3,963	\$ 32.91	50.7 %	5.3 %
Food & Beverage	60.7	2,939	17.05	72.6	2,128	17.67	38.1	(3.5)
Other Operated Departments	44.6	578	3.35	38.3	381	3.16	51.9	6.0
TOTAL DEPARTMENTAL EXPENSES	32.9 %	\$ 9,489	\$ 55.04	35.3 %	\$ 6,471	\$ 53.74	46.6 %	2.4 %
DEPARTMENTAL PROFITS								
Rooms	73.1 %	\$ 16,228	\$ 94.14	71.4 %	\$ 9,894	\$ 82.17	64.0 %	14.6 %
Food & Beverage	39.3	1,906	11.06	27.4	804	6.68	137.1	65.6
Other Operated Departments	55.4	719	4.17	61.7	614	5.10	17.1	(18.2)
TOTAL DEPARTMENTAL PROFITS	67.1 %	\$ 19,356	\$ 112.28	64.7 %	\$ 11,856	\$ 98.46	63.3 %	14.0 %
UNDISTRIBUTED OPERATING EXPENSES								
Administrative & General	10.2 %	2,933	17.01	12.3 %	2,253	18.71	30.2 %	(9.1) %
Information & Telecommunications Systems	2.3	654	3.80	3.4	617	5.12	6.1	(25.8)
Marketing (<i>excluding Franchise Fees</i>)	7.6	2,203	12.78	10.6	1,948	16.18	13.1	(21.0)
Franchise Fees (<i>royalty and marketing</i>)	5.7	1,650	9.57	5.7	1,049	8.71	57.3	9.9
Utility Costs	6.5	1,863	10.81	8.6	1,585	13.16	17.5	(17.9)
Property Operation & Maintenance	5.6	1,613	9.36	7.4	1,358	11.28	18.8	(17.0)
TOTAL UNDISTRIBUTED OPERATING EXPENSES	37.8 %	\$ 10,916	\$ 63.32	48.1 %	\$ 8,810	\$ 73.16	23.9 %	(13.4) %
GROSS OPERATING PROFIT	29.3 %	\$ 8,439	\$ 48.95	16.6 %	\$ 3,046	\$ 25.29	177.1 %	93.6 %
Base Management Fees	2.4	683	3.96	2.0	372	3.09	83.7	28.2
Incentive Management Fees	-	3	0.02	-	-	-	-	-
INCOME BEFORE FIXED CHARGES	26.9 %	\$ 7,753	\$ 44.98	14.6 %	\$ 2,674	\$ 22.21	189.9 %	102.5 %
SELECTED FIXED CHARGES								
Non-Operating Income	- %	\$ 6	\$ 0.03	35.0 %	\$ 6,422	\$ 53.33	(99.9) %	(99.9) %
Rent	7.2	2,082	12.08	10.5	1,933	16.06	7.7	(24.8)
Property Taxes	5.4	1,560	9.05	9.3	1,696	14.08	(8.0)	(35.7)
Insurance	1.4	407	2.36	1.9	340	2.83	19.7	(16.6)
EBITDA	12.8 %	\$ 3,698	\$ 21.45	-42.1 %	\$ (7,718)	\$ (64.10)	(147.9) %	(133.5) %

*Note, typical industry practice includes a reserve for replacement equal to 4.0% of total revenue.

As shown at the bottom right of each of these tables, Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) on a per available room basis for the competitive set decreased by nearly 178% in 2020, when compared to 2019 levels. These data also demonstrates that the comparable properties were not profitable in 2020: EBITDA was negative for this group in 2020. EBITDA recovered partially in 2021, but it remained 63% below 2019 levels.

CoStar Financial Data

CoStar publishes historical net operating income for hotels with active commercial mortgage-backed security loans. The table below includes 2019 – 2021 aggregate data for all reporting hotels in each comparable market as well as St. Louis and illustrates how the Pandemic impacted hotel operations. The number of hotels with available data varies from market to market. As shown in Table 10, St. Louis CBD hotels suffered the worst decline in net operating income (“NOI”) from 2019, which had a positive NOI of \$11,892 per available room, to 2020, which had a negative NOI of \$4,142 per available room. St. Louis CBD hotels also had the lowest NOI per available room in 2020 and the second-lowest NOI in 2021, compared to the other comparable markets.

Table 10

All Markets - Hotel CMBS Historical Financial Operating Performance			
Market	<u>Net Operating Income (Per Available Room)</u>		
	2019	2020	2021
St. Louis	\$11,892	(\$4,142)	\$4,090
Indianapolis	\$9,498	\$97	\$5,761
Cincinnati	\$12,603	\$3,517	\$7,212
Kansas City	\$7,428	(\$1,908)	\$5,683
Louisville	\$11,711	(\$1,032)	\$3,257

Source: CoStar

The data presented above in Table 10 also supports the STR HOST Profit & Loss Report data presented in Tables 8 and 9, as it shows substantial declines observed during 2020 and the fact that 2021 levels remained well below 2019. Three of the five markets reported negative NOI per available room in 2020, followed by a partial recovery in 2021. In 2021, each market’s average net operating income per available room remained 24% - 72% below its 2019 levels.

Financial data for Full-Service, Upscale and Upper Upscale hotels located in St. Louis and “comparable markets” is illustrated in Table 11 below.

Table 11

Upscale and Upper Upscale Hotel Historical Financial Operating Performance														
Property	Submarket	Market	Scale	Room Count	Net Operating Income (Total)			Net Operating Income (Per Available Room)			Adjusted Debt Service*		DSCR	
					2019	2020	2021	2019	2020	2021	2020	2021	2020	2021
Renaissance Cincinnati Downtown Hotel	Cincinnati Northwest	Cincinnati	Upper Upscale	323	\$10,159,457	\$1,289,619	\$3,831,785	\$31,453	\$3,993	\$11,863	\$2,078,924	\$2,179,488	0.62	1.76
Hilton Cincinnati Netherland Plaza	Cincinnati Northwest	Cincinnati	Upper Upscale	561	\$8,121,943	(\$2,927,264)	\$3,679,026	\$14,478	(\$5,218)	\$6,558	\$3,610,763	\$3,785,427	(0.81)	0.97
Embassy Suites by Hilton Cincinnati Rivercenter	Cincinnati South/Airport	Cincinnati	Upper Upscale	227	\$3,096,000	\$151,565	\$2,286,745	\$13,639	\$668	\$10,074	\$1,461,039	\$1,531,715	0.10	1.49
Hyatt Regency Indianapolis	Indianapolis CBD	Indianapolis	Upper Upscale	499	\$9,861,884	(\$923,292)	\$4,577,948	\$19,763	(\$1,850)	\$9,174	\$3,211,712	\$3,367,073	(0.29)	1.36
Sheraton Hotel Indianapolis City Centre	Indianapolis CBD	Indianapolis	Upper Upscale	378	\$5,689,046	(\$666,333)	\$1,287,349	\$15,050	(\$1,763)	\$3,406	\$2,432,920	\$2,550,609	(0.27)	0.50
Embassy Suites by Hilton Indianapolis Downtown	Indianapolis CBD	Indianapolis	Upper Upscale	360	\$4,957,405	-	\$836,632	\$13,771	-	\$2,324	-	\$2,429,151	-	0.34
Crowne Plaza Indianapolis Downtown Union Station	Indianapolis CBD	Indianapolis	Upscale	273	\$3,468,305	(\$1,892,602)	\$2,252,310	\$12,704	(\$6,933)	\$8,250	\$1,757,109	\$1,842,106	(1.08)	1.22
Marriott Indianapolis North	Indianapolis North Loop	Indianapolis	Upper Upscale	315	\$4,679,308	(\$1,483,739)	\$1,570,702	\$14,855	(\$4,710)	\$4,986	\$2,027,434	\$2,125,507	(0.73)	0.74
Embassy Suites by Hilton Indianapolis North	Indianapolis North Loop	Indianapolis	Upper Upscale	221	\$2,636,815	\$306,563	\$1,854,574	\$11,931	\$1,387	\$8,392	\$1,422,422	\$1,491,229	0.22	1.24
Embassy Suites by Hilton Kansas City International Airport	Kansas City Airport & North	Kansas City	Upper Upscale	237	\$1,468,208	(\$536,320)	\$568,663	\$6,195	(\$2,263)	\$2,399	\$1,525,402	\$1,599,191	(0.35)	0.36
Marriott Kansas City Country Club Plaza	Kansas City CBD	Kansas City	Upper Upscale	295	\$2,407,589	(\$3,573,221)	\$3,812,263	\$8,161	(\$12,113)	\$12,923	\$1,898,708	\$1,990,554	(1.88)	1.92
Embassy Suites by Hilton Kansas City Overland Park	Lenexa & Overland Park	Kansas City	Upper Upscale	199	\$883,973	(\$1,329,774)	(\$115,015)	\$4,442	(\$6,682)	(\$578)	\$1,280,823	\$1,342,781	(1.04)	(0.09)
DoubleTree by Hilton Hotel Kansas City - Overland Park	Lenexa & Overland Park	Kansas City	Upscale	356	\$1,741,106	(\$1,161,170)	(\$474,637)	\$4,891	(\$3,262)	(\$1,333)	\$2,291,322	\$2,402,161	(0.51)	(0.20)
Hyatt Regency Louisville	Louisville CBD	Louisville	Upper Upscale	393	\$7,282,472	(\$1,315,612)	\$958,130	\$18,530	(\$3,348)	\$2,438	\$2,529,465	\$2,651,823	(0.52)	0.36
Marriott Louisville East	Louisville East	Louisville	Upper Upscale	252	-	\$173,317	\$1,570,819	-	\$688	\$6,233	\$1,621,947	\$1,700,406	0.11	0.92
Renaissance St. Louis Airport Hotel	St. Louis Airport	St. Louis	Upper Upscale	393	\$4,268,419	(\$3,838,193)	-	\$10,861	(\$9,766)	-	\$2,529,465	-	(1.52)	-
Magnolia Hotel St. Louis, a Tribute Portfolio Hotel	St. Louis CBD	St. Louis	Upper Upscale	182	\$1,772,682	(\$1,046,505)	-	\$9,740	(\$5,750)	-	\$1,171,406	-	(0.89)	-
Hyatt Regency St. Louis at The Arch	St. Louis CBD	St. Louis	Upper Upscale	910	\$17,019,491	(\$4,825,307)	\$4,604,632	\$18,703	(\$5,303)	\$5,060	\$5,857,030	\$6,140,354	(0.82)	0.75
Embassy Suites by Hilton St. Louis St. Charles	St. Louis Northwest	St. Louis	Upper Upscale	296	\$4,337,062	\$308,854	\$3,012,683	\$14,652	\$1,043	\$10,178	\$1,905,144	\$1,997,302	0.16	1.51
							Maximum	\$31,453	\$3,993	\$12,923			0.62	1.92
							Minimum	\$4,442	(\$12,113)	(\$1,333)			(1.88)	(0.20)
							Average	\$13,546	(\$3,399)	\$6,020			(0.53)	0.89

Source: CoStar

The financial data presented above supports the STR HOST P&L Report data. Table 11 presents data for Full-Service, Upscale and Upper Upscale hotels, all hotels reported net operating income (“NOI”) in 2020 below 2019 levels (with the exception of two hotels that did not report data in either 2019 or 2020), and sixteen of the twenty reporting hotels reported negative net operating income in 2020. The hotels partially recovered in 2021, though on-average remained approximately 56% below 2019 levels. Several hotels continued to experience negative NOI in 2021.

The debt service amounts for The Last Hotel, as provided to us, are as follows: \$913,954.20 for 2020 and \$958,165.20 for 2021. As mentioned previously, LWHA understands there are two points in time when the Construction Loan would have been eligible for extension, namely December 29, 2020, and December 29, 2021. Further, the Construction Loan states that, if the Owners are to extend the maturity date on the Construction Loan, the Hotel must meet a trailing twelve-month DSCR requirement of 1.25 in December 2020 and 1.40 in 2021.

In order to compare DSCR ratios for the comparable hotels to the subject, I calculated the ratio of debt service to the number of rooms for The Last Hotel, which was \$6,436.30 in 2020 and \$6,747.64 in 2021 (based on the 142 guestrooms reported to STR). I then multiplied these

amounts by the number of guestrooms for each comparable hotel, to arrive at annual Adjusted Debt Service figures for each hotel. I then determined DSCR's for each comparable hotel based on the Adjusted Debt Service figure, which provides a means to compare each of the comparable hotels to The Last Hotel, while adjusting for the debt service amount (on a per available room basis). As can be seen in Tables 11 and 12, none of the comparable hotels were able to meet the DSCR requirement in 2020, and only four (4) of the seventeen (17) reporting hotels (highlighted) were able to meet the DSCR requirement in 2021. The St. Louis CBD hotel in this list that reported NOI, did not report NOI sufficient to meet the DSCR requirement in 2021.

Financial data for Full-Service, Upscale, and Upper Upscale hotels located specifically in CBD submarkets of St. Louis and comparable markets is illustrated below.

Table 12

CBD Submarket - Upscale and Upper Upscale Hotel CMBS Historical Financial Operating Performance																
Property	Submarket	Market	Scale	Open Date	Room Count	Net Operating Income (Total)			Net Operating Income (Per Available Room)			Adjusted Debt Service*		DSCR		
						2019	2020	2021	2019	2020	2021	2020	2021	2020	2021	
Hyatt Regency Indianapolis	Indianapolis CBD	Indianapolis	Upper Upscale	1977	499	\$9,861,884	(\$923,292)	\$4,577,948	\$19,763	(\$1,850)	\$9,174	\$3,211,712	\$3,367,073	(0.29)	1.36	
Sheraton Hotel Indianapolis City Centre	Indianapolis CBD	Indianapolis	Upper Upscale	1975	378	\$5,689,046	(\$666,333)	\$1,287,349	\$15,050	(\$1,763)	\$3,406	\$2,432,920	\$2,550,609	(0.27)	0.50	
Embassy Suites by Hilton Indianapolis Downtown	Indianapolis CBD	Indianapolis	Upper Upscale	1985	360	\$4,957,405	-	\$836,632	\$13,771	-	\$2,324	-	\$2,429,151	-	0.34	
Crowne Plaza Indianapolis Downtown Union Station	Indianapolis CBD	Indianapolis	Upscale	1986	273	\$3,468,305	(\$1,892,602)	\$2,252,310	\$12,704	(\$6,933)	\$8,250	\$1,757,109	\$1,842,106	(1.08)	1.22	
Marriott Kansas City Country Club Plaza	Kansas City CBD	Kansas City	Upper Upscale	1987	295	\$2,407,589	(\$3,573,221)	\$3,812,263	\$8,161	(\$12,113)	\$12,923	\$1,898,708	\$1,990,554	(1.88)	1.92	
Hyatt Regency Louisville	Louisville CBD	Louisville	Upper Upscale	1978	393	\$7,282,472	(\$1,315,612)	\$958,130	\$18,530	(\$3,348)	\$2,438	\$2,529,465	\$2,651,823	(0.52)	0.36	
Magnolia Hotel St. Louis, a Tribute Portfolio Hotel	St. Louis CBD	St. Louis	Upper Upscale	2018	182	\$1,772,682	(\$1,046,505)	-	\$9,740	(\$5,750)	-	\$1,171,406	-	(0.89)	-	
Hyatt Regency St. Louis at The Arch	St. Louis CBD	St. Louis	Upper Upscale	1986	910	\$17,019,491	(\$4,825,307)	\$4,604,632	\$18,703	(\$5,303)	\$5,060	\$5,857,030	\$6,140,354	(0.82)	0.75	
									Maximum	\$19,763	(\$1,763)	\$12,923			(0.27)	1.92
									Minimum	\$8,161	(\$12,113)	\$2,324			(1.88)	0.34
									Average	\$14,553	(\$5,294)	\$6,225			(0.82)	0.92

Source: CoStar

The financial data presented above supports the STR HOST P&L Report data in Tables 8 and 9. Table 12 presents data for Upscale and Upper Upscale, Full-Service hotels in the CBD submarkets. NOI for all of the comparable CBD hotels fell from 2019 to 2020 (with the exception of one hotel that did not report data for 2020). None of the hotels reported positive NOI in 2020. The hotels partially recovered in 2021, though on average remained approximately 57% below 2019 levels. Additionally, no hotels met The Last Hotel's DSCR requirement in 2020 (based on The Last Hotel's debt service and the comparable hotel's NOI), and only one (1) of the seven (7) reporting CBD hotels was able to meet the DSCR requirement in 2021.

Lender Forbearance During Pandemic

The Pandemic brought on many challenges from a hotel lending standpoint since March 2020. According to DBRS Morningstar, one of the world's largest credit rating agencies, *"U.S. hotel loans had the highest modification rate among major property sectors as borrowers asked for debt relief as a result of the Pandemic. Lenders' willingness to work with borrowers coupled with federal stimulus and lending programs have averted a surge in foreclosures."*¹

Most hotel lenders exercised their discretion to offer borrowers flexibility and/or relief during the Pandemic. Based on my review and experience, I am not aware of any hotel lending contract that addressed how lenders or borrowers should respond to a global pandemic that halted non-essential travel in March 2020 and reduced Occupancy and RevPar to historic lows on an annual basis. In the absence of contract terms concerning such a pandemic, there was a cooperative spirit in the market to productively handle the intense Pandemic and lockdown situations that were occurring across the country. This cooperative spirit in the market reflects the spirit of hotel lending transactions as I have observed them: it is in the borrowers' and lenders' interests for hotels to succeed financially. Maturing loans and charging default interest during a pandemic do not serve those interests. Based on my review and experience, I am not aware of any lender who exercised its discretion to mature a loan on a hotel during 2020 or 2021 without the option to extend. I am also not aware of any loan on a hotel that was matured without extension when the loan was only in technical default for reporting, certification, or other non-payment requirements. On the contrary, I have witnessed dozens of lenders exercise discretion to provide forbearance or other relief for hotel owners during the Pandemic. For example, in many cases, lenders allowed borrowers to use reserve for replacement funds to fund payroll and other urgent payables.

Given the flexibility and relief offered by most lenders during the Pandemic, the number of hotel foreclosures has remained limited despite the significant impact on hotel performance metrics caused by the Pandemic. Lenders regularly issued waivers and extensions on various loan requirements to help borrowers weather the storm. According to Ann Hambly of 1st Service Solutions, *"Most hotel owners received some type of forbearance on their loan payments due to the Covid-19 virus. Along with government assistance, this allowed the hospitality industry to survive through the worst of the Pandemic."*²

¹ <https://www.dbrsmorningstar.com/research/393781/checking-in-on-us-hotel-performance-since-the-pandemic>

² <https://lodgingmagazine.com/hotel-owners-with-cmbs-debt-who-deferred-payments-in-2020-might-face-dilemma/>

Summary of Findings

Data in this report illustrate that hotels, specifically properties located in top twenty-five cities, were severely impacted by the Pandemic. Nationally, regionally, and locally, the hotel industry experienced a precipitous decline in 2020, as measured by all reliable indicators of financial performance, including Occupancy, Average Daily Rate (ADR), Revenue per Available Room (RevPAR), Gross Operating Profit (GOP), and Net Operating Income (NOI). These declines were caused by unforeseen events, were unprecedented, and far exceeded prior downturns. The hotel industry made a partial recovery in 2021, but all reliable indicators of financial performance still showed substantial percentage decreases compared to 2019, on aggregate. Based on my review and experience, I did not find evidence that any comparable hotels in St. Louis's CBD were profitable in 2020. Additionally, I did not find any comparable hotels in comparable markets that were able to meet the Last Hotel's debt service coverage ratio (DSCR) during the height of the Pandemic. Specifically, I did not find any comparable hotel located in a CBD in St. Louis or a comparable market (determined further in this report as Louisville, Cincinnati, Kansas City, and Indianapolis), that would have met The Last Hotel's required DSCR in December 2020, based on The Last Hotel's debt service per available room compared to net operating income on a per available room basis of the comparable hotels. I reviewed the best available data when searching for this information, data that would have shown evidence of comparable hotels in comparable markets meeting the DSCR, if there were any. Finally, most lenders offered flexibility to hotel owners during the Pandemic. Based on my review and experience, I am not aware of any other circumstance in which a lender matured a hotel loan and did not extend its terms during the height of the Pandemic.

Supplementation

I reserve the right to adjust or supplement my opinions in this report, and this report itself, as appropriate in this case. For example, I reserve the right to amend or supplement my report if relevant new information is obtained during discovery or if any relevant new development occurs in this litigation.

Date: July 22, 2022



Daniel H. Lesser

APPENDIX A

All other cases in which, during the previous four years, Daniel H. Lesser has testified as an expert at trial or by deposition

Ab Stable VIII vs. Maps Hotel And Resorts One, Case No. 2020-0310 (Court of Chancery of the State of Delaware, complaint filed April 27, 2020)

Headquarters Hotel LLC vs. LBV Hotel LLC, Case No. CA 1884CV02916 (Superior Court, Commonwealth of Massachusetts Suffolk County Boston, complaint filed Sep. 17, 2018)

Gerald Rosengarten - v. - Richard Born et al, Case No. 651147/2014 (Supreme Court of the State of New York County of New York, complaint filed April 14, 2014)

APPENDIX B.

All publications Daniel H. Lesser has authored in the previous ten years

Article	Date	Publication
An Unbiased Perspective on the Hotels – Airbnb Fight	2017, May	AirbnbWatch
U.S. Lodging Industry Update – Q2 2015	2021, April	Boston Hospitality Review / BU School of Hospitality Administration
The Evolution of Dual-Branded Hotels: How the Marriott/Starwood Acquisition Enhances Opportunities for Developers	2021, April	Boston Hospitality Review / BU School of Hospitality Administration
COVID-19's Impact on the U.S. Hotel Sale Transaction Market	2021, April	Boston Hospitality Review / BU School of Hospitality Administration
U.S. Lodging Industry Year End 2019: Growth Pause or Presage to A Downturn	2020, January	Global Hotel Network.com E-Newsletter
U.S. Lodging Industry Snapshot: Winter 2011/2012	2011/2012, Winter	GlobeSt.com
U.S. Lodging Industry: Lodging Sales: Spring 2012	2012, Spring	GlobeSt.com
Hotel Recovery Will Keep Going	2015, January	GlobeSt.com
Q2 Lodging Fundamentals Favor Buying, Selling and Building	2015, April	GlobeSt.com
Lodging Continues Its Darling Run	2015, July	GlobeSt.com
Q3 Hotels: Wait-and-See Tempers Cautious Optimism	2015, December	GlobeSt.com
Despite Growth, Lodging Turns Cautious	2016, April	GlobeSt.com
Plateau in Hotels a Good News/Bad News Story	2016, July	GlobeSt.com

RevPAR Stays High, Concerns Linger	2016, October	GlobeSt.com
Hotels Send Mixed Signals For 2017	2017, January	GlobeSt.com
Hotels Supply Not Hindering Sales Just Yet	2017, April	GlobeSt.com
Hotels See Enthusiasm Amid Headwinds in Q2	2017, July	GlobeSt.com
Lodging Metrics Continue to Show Growth in Demand	2017, October	GlobeSt.com
Lodging Sees Another Year of Record Setting Metrics	2018, January	GlobeSt.com
Q1 2018 US Lodging Market Update, Strong Fundamentals	2018, May	GlobeSt.com
Q2 2018 US Lodging Market Update	2018, August	GlobeSt.com
Q3 2018 U.S. Lodging Market Update	2018, October	GlobeSt.com
Q4 2018 U.S. Lodging Market Update	2019, January	GlobeSt.com
Near Term Outlook for Lodging Remains Positive	2019, April	GlobeSt.com
Q2 2019 U.S. Lodging Market Update	2019, August	GlobeSt.com
Q3 2019 U.S. Lodging Market Update	2019, October	GlobeSt.com
A Comprehensive Record of the Lodging Market's Q4 Transactions	2020, February	GlobeSt.com
The U.S. Hotel Industry Has a Proven Track Record of Resiliency	2020, April	GlobeSt.com
Q2 2020 Major U.S. Hotel Sales Survey	2020, August	GlobeSt.com
Flawed Florida Court Decision Could Affect Hotel Valuations	2020, August	GlobeSt.com
How Hotel Sales Performed in Q3	2020, October	GlobeSt.com
How Hotels are Faring in Transformative Times	2021, January	GlobeSt.com
Q1 2021 Major U.S. Hotel Sales Survey	2021, April	GlobeSt.com
Where Hotel Sales Are in Q2	2021, July	GlobeSt.com

U.S. Major Hotel Sales Survey for Q4	2022, January	GlobeSt.com
A Breakdown of the Major U.S. Hotel Sales for Q1	2022, April	GlobeSt.com
U.S. Hotels See Enthusiasm Amid Headwinds in Q2	2017, July	Hospitalitynet.org
Q1 2019 U.S. Lodging Market Update	2019, April	Hospitalitynet.org
Q2 2019 U.S. Lodging Market Update	2019, August	Hospitalitynet.org
Q3 2019 U.S. Lodging Market Update	October 201	Hospitalitynet.org
A Comprehensive Record of the Lodging Market's Q4 Transaction	2020, February	Hospitalitynet.org
Q2 2020 Major US Hotel Sales Survey	2020, August	Hospitalitynet.org
How Hotel Sales Performed in Q3	2020, October	Hospitalitynet.org
How Hotels are Faring in Transformative Times	2021, January	Hospitalitynet.org
Q1 2021 Major US Hotel Sales Survey	2021, April	Hospitalitynet.org
Q2 2021 Major US Hotel Sales Survey	2021, July	Hospitalitynet.org
Major Hotel Sales Transactions in the Third Quarter	2021, October	Hospitalitynet.org
Q4 2021 Major U.S. Hotel Sales Survey	2022, January	Hospitalitynet.org
A Breakdown of the Major U.S. Hotel Sales for Q1	2022, April	Hospitalitynet.org
The U.S. Lodging Industry: Fall 2012	2012, December	Hotel Business
U.S. Hotel Valuations Appreciate Based on Strong Fundamentals	2013, May	Hotel Business
U.S. Transactions Increase Steadily During First Half Of 2013	2013, September	Hotel Business
Lodging Transaction Pace Continues to Ramp Up in Fall'13	2013, November	Hotel Business

Increased Availability of Capital Led to More Deals In 2013	2014, March	Hotel Business
Market Watch: The Evolution of NYC's Times Square	2014, November	Hotel Business
Strong Hotel Fundamentals Drive Increased Deal Volume in Q1	2014, May	Hotel Business
RevPAR Stays High, Concerns Linger	2016, October	Hotel - Online
Plateau in Hotels a Good News / Bad News Story	2016, July	Hotel - Online
Despite Growth, Lodging Turns Cautious	2016, April	Hotel - Online
Three Million Rooms Highlights Banner 2015	2016, January	Hotel - Online
U.S. Lodging Fundamentals 2015: Paradigm Shift or Movie Re-Run?	2015, Januar	Hotel - Online
LW Hospitality Advisors Q3 2015 Select Major U.S. Hotel Sales Survey	2015, December	Hotel - Online
Hotels Send Mixed Signals for 2017	2017, January	Hotel - Online
Hotels See Enthusiasm Amid Headwinds in Q2	2017, July	Hotel - Online
Q3 2017 U.S. Lodging Market Update	2017, October	Hotel - Online
Dear Airbnb...	2017, December	Hotel - Online
Q4 2017 U.S. Lodging Market Update	2018, January	Hotel - Online
Q1 2018 U.S. Lodging Market Update, Strong Fundamentals	2018, May	Hotel - Online
Q2 2018 U.S. Lodging Market Update	2018, August	Hotel - Online
Q3 2018 U.S. Lodging Market Update	2018, November	Hotel - Online
Q4 2018 U.S. Lodging Market Update	2019, January	Hotel - Online
Q1 2019 U.S. Lodging Market Update	2019, April	Hotel - Online
Q2 2019 U.S. Lodging Market Update	2019, August	Hotel - Online

Q3 2019 U.S. Lodging Market Update	2019, October	Hotel - Online
Q4 Year End 2019 U.S. Lodging Market Update	2020, February	Hotel - Online
Q1 2020 Major U.S. Hotel Sales Survey	2020, April	Hotel - Online
Q2 2020 Major U.S. Hotel Sales Survey	2020, August	Hotel - Online
Reaction to the Recent Florida Fifth District Court of Appeal Disney Yacht & Beach Club Resort Decision	2020, August	Hotel - Online
How Hotel Sales Performed in Q3	2020, October	Hotel - Online
U.S. Sales Survey: How Hotels Are Faring in Transformative Times	2021, January	Hotel - Online
Q1 2021 Major U.S. Hotel Sales Survey	2021, April	Hotel - Online
Q2 2021 Major U.S. Hotel Sales Survey	2021, July	Hotel - Online
Q3 2021 Major U.S. Hotel Sales Survey	2021, October	Hotel - Online
Q4 2021 Major U.S. Hotel Sales Survey	2022, January	Hotel - Online
Q1 2022 Major U.S. Hotel Sales Survey	2022, April	Hotel - Online
Today's U.S. Lodging Market: Rerun or Season Premiere?	2015, March	HOTELS Magazine
Don't Judge a Lodging Asset by Its Price in Relation to Replacement Cost	2015, April	HOTELS Magazine
Brand Overload	2015, May	HOTELS Magazine
Reminder: Hotels Are Long-Term Investments	2015, May	HOTELS Magazine
NYC Hotel to Residential Conversions Face Holdup	2015, May	HOTELS Magazine
Approaching the Peak?	2015, June	HOTELS Magazine
Lax Underwriting Standards	2015, June	HOTELS Magazine
Rising Hotel Property Taxes	2015, July	HOTELS Magazine
An Auction Is Not a Steal	2015, August	HOTELS Magazine

Off Market Does Not Equal Below Market	2015, August	HOTELS Magazine
Is It Time to Sell	2015, August	HOTELS Magazine
I Knew	2015, September	HOTELS Magazine
Be Vigilantly Aware of New Supply	2015, September	HOTELS Magazine
Is Airbnb a Criminal Enterprise	2015, November	HOTELS Magazine
The BIG Deal	2015, November	HOTELS Magazine
What Is the Cap Rate	2015, November	HOTELS Magazine
Professional Services: Caveat Emptor	2015, November	HOTELS Magazine
Interest Rates and Property Values	2016, January	HOTELS Magazine
Nickel and Diming	2016, January	HOTELS Magazine
Capital Markets Volatility	2016, February	HOTELS Magazine
Airbnb's Impact on The Hotel Industry	2016, February	HOTELS Magazine
Continually Evolving Highest and Best use of Real Estate	2016, March	HOTELS Magazine
Nickel and Diming: Part 2	2016, March	HOTELS Magazine
The Bidding War	2016, April	HOTELS Magazine
Price Correction	2016, April	HOTELS Magazine
Collusion and Price Fixing	2016, April	HOTELS Magazine
I Too Will Never Retire	2016, May	HOTELS Magazine
Price Correction (Part II)	2016, June	HOTELS Magazine
Brexit: What Will Be the Impact?	2016, July	HOTELS Magazine

Waldorf Astoria New York: The Ongoing Saga	2016, July	HOTELS Magazine
Collusion and Price Fixing (Part II)	2016, August	HOTELS Magazine
Been There, Done That, Doing It Again	2016, August	HOTELS Magazine
Scary Headlines	2016, September	HOTELS Magazine
The Reverse Auction	2016, September	HOTELS Magazine
Autonomous Vehicles: Impact on Hotels?	2016, September	HOTELS Magazine
Sum of The Parts = Greater Than the Whole?	2016, October	HOTELS Magazine
The U.S. Presidential Election Is Finally Over!	2016, November	HOTELS Magazine
An Inflection Point In New York City	2016, November	HOTELS Magazine
Monopoly	2016, December	HOTELS Magazine
Rising Interest Rates and Inflation	January 2017	HOTELS Magazine
Airlines Generate Revenues, Hotels Miss Opportunities	2017, January	HOTELS Magazine
Global Warming	2017, January	HOTELS Magazine
Sales Price Versus Market Value	2017, February	HOTELS Magazine
Shatterproof	2017, February	HOTELS Magazine
Time to Boycott Vacations to The U.S.?	2017, April	HOTELS Magazine
My Response to The Airbnb-AH&LA Flap	2017, April	HOTELS Magazine
Hotels for The Homeless in NYC	2017, May	HOTELS Magazine
State of The Union	2017, June	HOTELS Magazine
More Hotel Brands – Really?	2017, June	HOTELS Magazine

We the People (And Our Twitter Feeds)	2017, July	HOTELS Magazine
How's the U.S. Hotel Industry Doing	A SWOT Analysis	HOTELS Magazine
Are Amazon Hotels Coming?	2017, July	HOTELS Magazine
Price Erosion In New York Hotel Market	2017, August	HOTELS Magazine
Once Again, Houston's Time Has Arrived	2017, September	HOTELS Magazine
Doing the Right Thing	2017, September	HOTELS Magazine
No Such Thing as A Free Amenity	2017, October	HOTELS Magazine
The Demise of Telecommuting?	2017, October	HOTELS Magazine
A Supersonic Threat to The Lodging Industry	2017, October	HOTELS Magazine
Dear Airbnb...	2017, December	HOTELS Magazine
What a Deal!	2018, January	HOTELS Magazine
Beware the Limitations of Hotel Cap Rates	2018, January	HOTELS Magazine
How the Industry Should Respond to OTAs' New Challenge	2018, February	HOTELS Magazine
The Amazon Effect: Careful What You Wish For	2018, March	HOTELS Magazine
Live Like a Local – Or Enjoy the Standards of a Hotel	2018, March	HOTELS Magazine
Brand.com Campaigns Work, But Keep Up Vigilance on OTA's	2018, March	HOTELS Magazine
Keeping Ground Leases on Solid Economic Footing	2018, April	HOTELS Magazine
Modular Buildings Hitting Their Stride in Hospitality	2018, April	HOTELS Magazine
The Unintended Impact Of New York City's M1 Amendment	2018, May	HOTELS Magazine

When Is the Next Recession?	2018, June	HOTELS Magazine
U.S. – Canada Trade Fight Would Hurt Both Countries	2018, June	HOTELS Magazine
Hotels Never Stabilize	2018, July	HOTELS Magazine
The Evolution of Urban Timeshares	2018, July	HOTELS Magazine
Where Will Amazon’s HQ2 Land	2018, August	HOTELS Magazine
Is It Déjà Vu All Over Again?	2018, September	HOTELS Magazine
The Importance of an Exit Strategy	2018, October	HOTELS Magazine
Navigating at Peak: A SWOT Analysis of the U.S. Hotel Industry	2018, November	HOTELS Magazine
Failure, Finance and Bill Gates’ Toilet Idea: My top 10 Reads Of 2018	2019, January	HOTELS Magazine
Amazon’s NYC Retreat: The Principle of Change	2019, February	HOTELS Magazine
What Is the Ideal Hospitality Graduate Like?	2019, March	HOTELS Magazine
Keep Your Eye on Airbnb	2019, April	HOTELS Magazine
Five Generations in the Workforce	2019, October	HOTELS Magazine
What LIBOR’s Demise Means for Hotels	2019, November	HOTELS Magazine
How Hotels Can Address Growing Climate Risks	2019, December	HOTELS Magazine
U.S. Lodging: Growth Pause or Presage to Downturn?	2020, January	HOTELS Magazine
The ‘Hotelization’ of Real Estate	2020, January	HOTELS Magazine
Professional Services: Caveat Emptor	2020, February	HOTELS Magazine
The Value Is in The Interest	2020, March	HOTELS Magazine
5G Offers New Generation of Possibilities	2020, March	HOTELS Magazine

Why Are Consumer Goods Companies Getting into Lodging?	2020, May	HOTELS Magazine
'Eatertainment' Gaining Ground	2020, July	HOTELS Magazine
The Principle of Change and Highest and Best Use	2020, August	HOTELS Magazine
Business Enterprise Approach Theory Is Unsubstantiated	2020, September	HOTELS Magazine
Virtual Meetings Won't Cause the Demise of Travel	2020, October	HOTELS Magazine
Evidence of COVID's Impact on U.S. Hotel Values	2020, December	HOTELS Magazine
Hotel Hygiene and Safety Remain a Challenge	2020, December	HOTELS Magazine
Post-Pandemic Hotel Property Tax Burdens	2021, January	HOTELS Magazine
Downtown Lesson Number One: Risk	2021, January	HOTELS Magazine
Thank Goodness for More Hotel Brands	2021, January	HOTELS Magazine
Back on The Road Again	2021, April	HOTELS Magazine
COVID-Informed Analysis of the New York City Market	2021, April	HOTELS Magazine
Hotel Receivership – An Alternative to Foreclosure?	2021, August	HOTELS Magazine
On The Horizon: More Transactions or Rescue Capital?	2021, August	HOTELS Magazine
Net Supply Growth Matters	2021, October	HOTELS Magazine
Remember When?	2021, November	HOTELS Magazine
SWOT Analysis of the U.S. Lodging Industry	2022, January	HOTELS Magazine
Who Would Have Thought?	2022, January	HOTELS Magazine
Reflections About Rising Inflation, Interest Rates On Values	2022, May	HOTELS Magazine

How Rising Rates in U.S. Will Impact Values	2016, March	HOTELS' Investment Outlook
What Factors Are Behind \$1 Million/Key Deals?	2021, June	HOTELS' Investment Outlook
Florida Court of Appeal Rules against Rushmore Approach in Disney Resort Decision	2020, Volume 17, Issue 2	Journal of Property Tax Assessment and Administration
Lodging: The Darling of Real Estate	2006, April	Lodging Hospitality
America: The Land of Opportunity	2011, April	Lodging Hospitality